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10-07-16
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**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Application of Southern California Edison
Company (U 338-E) for Approval of its
2016 Rate Design Window Proposals

Application 16-09-003
(Filed September 1, 2016)

**PROTEST OF
THE SOLAR ENERGY INDUSTRIES ASSOCIATION
TO APPLICATION OF SOUTHERN CALIFORNIA EDISON COMPANY (U 338-E)
FOR APPROVAL OF ITS 2016 RATE DESIGN WINDOW PROPOSALS**

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October 7, 2016

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Pursuant to Rule 2.6(c) of the Rules of Practice and Procedure of the California Public Utilities Commission (Commission), the Solar Energy Industries Association (SEIA)¹ hereby protests the Application of Southern California Edison Company (SCE) for Approval of its 2016 Rate Design Window Proposals (RDW Proposals) filed in the above captioned proceeding on September 1, 2016.

I. IDENTITY OF THE SOLAR ENERGY INDUSTRIES ASSOCIATION

SEIA is the national trade association of the United States solar industry. Through advocacy and education, SEIA and its 1,000 member companies work to make solar energy a mainstream and significant energy source by expanding markets, removing market barriers, strengthening the industry, and educating the public on the benefits of solar energy. SEIA's members have a strong interest in the adoption and implementation of policies and programs that will accelerate the movement toward a low-carbon economy and stimulate the development and use of zero-carbon, renewable energy technologies such as solar photovoltaic generation.

¹ The comments contained in this filing represent the position of the SEIA as an organization, but not necessarily the views of any particular member with respect to any issue.

II. THE INTEREST OF SEIA IN THIS PROCEEDING

Electric utility rate designs can have a substantial impact on the economics of whether a customer installs a solar PV system. SEIA has participated actively in recent General Rate Case Phase 2 and Rate Design Window cases for SCE and the other major California investor-owned electric utilities, Pacific Gas and Electric Company (PG&E) and San Diego Gas & Electric Company (SDG&E), in order to promote rate designs that do not present barriers to the growth of the solar PV industry.

Through this RDW proceeding, SCE proposes to make dramatic changes to its time-of-use (TOU) periods which will be applicable to the TOU rates for its commercial and industrial (C&I) customer classes. The proposed TOU periods are a major change from the current TOU periods. For example, the summer peak period is now proposed to move from the current 12:00 - 6:00 p.m. to 4:00 - 9:00 p.m. – a four-hour shift in the starting hour and a three hour shift in the ending hour. The economics of solar installations rest heavily on rate design, including the underlying TOU periods. This is particularly true for C&I customers who are required to take service under TOU rates. All of SCE's C&I customers are now required to be on TOU tariffs once they have a TOU-capable meter. Further, pursuant to Decision 16-01-044, customers receiving service under SCE's net energy metering (NEM) successor tariff, including residential customers, will be required to use TOU rates.² Given that SCE's successor tariff will go into effect on July 1, 2017, mandatory TOU rates will apply to all customers that are currently contemplating solar. Therefore, any changes to TOU periods, much less the significant changes proposed by SCE, could have an impact on, and potentially slow down, solar adoption, thus disrupting the solar market in California – a market which the Commission has been cultivating for more than a decade.

² See Decision 16-01-044, p. 120, Ordering Paragraph 5.

III. SERVICE

For the purpose of receipt of all correspondence, pleadings, orders and notices in this proceeding, the following SEIA representative should be placed on the service list as a “party”:

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IV. PROTEST

SEIA protests and plans to further investigate SCE’s RDW Proposals, including but not limited to the following issues:

- SEIA is pleased that SCE is now recognizing that at least a portion of its marginal distribution costs are time-dependent, and that this time dependence should be considered as a factor in selecting TOU periods.³ SEIA intends to scrutinize carefully how SCE has derived the

³ See A. 16-0-003, Testimony of Southern California Edison Company in Support of its Application For Approval of its 2016 Rate Design Window Proposals (SCE Testimony), p. 35.

time-dependent “peak sub-component” of its marginal distribution costs for inclusion in the TOU period marginal cost analysis.

- SEIA is also encouraged that SCE is calculating marginal generation capacity costs that reflect the system’s need for capacity both to meet peak needs and to provide flexible capacity to meet ramping requirements.⁴ SEIA plans to study and to comment on how SCE has included the costs of flexible capacity in its marginal generation capacity costs.

- SEIA is concerned that SCE has not examined the time dependence of its marginal transmission costs, and has not included transmission costs in its TOU period marginal cost analysis. SCE’s retail TOU rates include transmission costs, and those TOU rates send important price signals to customers about the costs that they incur depending on when they use the electric delivery system. Choices made by retail customers based on these price signals will impact the transmission costs that SCE incurs. For example, a customer who installs solar DG or an energy efficiency measure – actions which are taken in response to retail rate signals – can allow SCE to avoid the need for more bulk transmission lines.⁵ Evaluations of the impacts of solar DG installations have shown that they avoid bulk transmission costs.⁶ Accordingly, it is important to calculate California Independent System Operator (CAISO)-level marginal transmission costs in order to understand how the CAISO’s transmission revenue requirement

⁴ SCE Testimony, p. 27.

⁵ See “Cal-ISO Board Approves Annual Transmission Plan,” *California Energy Markets* (No. 1379, April 1, 2016) at p. 10 (Pacific Gas & Electric informs CAISO that it is cancelling 13 sub-transmission projects in its service territory, which would have cost \$192 million, as a result of “a combination of energy efficiency and rooftop solar.”)

⁶ Impact evaluation reports for the California Solar Initiative (CSI) have shown that CSI systems reduce peak transmission system loadings on at least a one-for-one basis (in other words, each kW of DG output in the peak hour reduces transmission loadings by at least one kW). Thus, DG makes additional capacity available on the high-voltage transmission system and avoids transmission expansion costs. See Itron, *2009 CSI Impact Evaluation Report*, at page ES-17. Also, Itron, “CPUC Self-Generation Incentive Program – Sixth Year Impact Evaluation Report” (August 30, 2007), at 5-29 to 5-33. These Itron reports are available on the CPUC website at <http://www.cpuc.ca.gov/PUC/energy/Solar/evaluation.htm> and <http://www.cpuc.ca.gov/PUC/energy/DistGen/sgip/sgipreports.htm>

will change with variations in retail customers' electric use in certain peak hours. Further, this marginal CAISO transmission cost data should inform the choice of TOU periods. Ignoring CAISO-level marginal costs would exclude a significant share of time-dependent SCE costs from the analysis of the utility's appropriate TOU periods.

SCE clearly acknowledges that peak customer demands drive its high-voltage transmission costs, because it allocates transmission costs to rate groups based on each rate group's contribution to 12 monthly coincident peak demands.⁷ SCE's TOU periods will not be cost-based if they ignore this clear connection between customers' coincident peak demands and SCE's transmission costs.

- SEIA plans to examine SCE's four proposed TOU periods – peak / mid-peak / off-peak / super off-peak⁸ – in the light of SEIA's analysis of the time-dependence of SCE's marginal costs. The Commission also needs to consider simplicity, understandability, and customer acceptance in its choice of TOU periods. These considerations may mean that there should be differences in SCE's TOU periods among its diverse customer classes.
- SCE's application is deficient in its failure to propose grandfathering of existing TOU periods for certain customers. In determining whether to grandfather certain customers on rate schedules that will be changed or discontinued, the Commission has stressed the need for investment certainty and the “desirability of ensuring that customers have an opportunity to receive a return somewhat consistent with their expectations.”⁹ Moreover, the Commission has stressed the importance of customers having “a uniform and reliable expectation of the stability of the [rate] structure under which they decided to invest in their customer-sited renewable DG

⁷ SCE Testimony, p. 43.

⁸ *Id.*, p. 63.

⁹ Decision 14-03-041 , p. 20.

systems.”¹⁰ The Commission’s acknowledgement that it is in the public interest to protect customers’ renewable technology investments which were premised on an existing regulatory structure warrants establishing a substantial grandfathering period for solar customers who have interconnected under the TOU periods which are currently in effect for each IOU. This is particularly important when the utility is proposing to make a major shift in TOU periods, as is the case here. Accordingly, in the TOU period rulemaking case, SEIA has recommended that these existing solar customers be afforded a minimum grandfathering period of ten years, with a subsequent gradual transition to the then-effective TOU periods.¹¹ SEIA will be evaluating whether a similar approach to grandfathering should be adopted in this case for SCE.

- SEIA is concerned that SCE developed its proposed TOU periods based on a forecast of system conditions in 2024, *i.e.* eight years in the future.¹² The Commission has said that TOU periods should be in place for at least five years. TOU periods that are revised in 2017 thus should apply for the years 2017-2021, and the analysis used to set these rates should focus on expected system conditions at the mid-point of this period, *i.e.* in 2019, if the chosen TOU periods are to be as accurate as possible for the years in which they are in effect. SCE’s forecasts thus appear to focus on a year that is five years too far into the future.

V. COMPLIANCE WITH RULE 2.6

In compliance with Rule 2.6 of the Commission’s Rules of Practice and Procedure, SEIA states the following:

1. SEIA agrees with SCE that this proceeding should be categorized as “ratesetting.”
2. SEIA submits that given the significant issues raised by SCE’s application, hearings will be necessary.

¹⁰ Decision16-01-044 p. 100.

¹¹ Rulemaking 15-12-012, SEIA Comments dated June 27, 2016, at pp. 31-34.

¹² SCE Testimony, p. 14.

3. The proposed schedule set forth in SCE's application is not reasonable. SCE states that its proposed schedule "is more conservative than RDW schedules contemplated by the Commission's Rate Case Plan." The schedule for RDWs set forth in the Rate Case Plan is itself very conservative as RDWs were intended to address discrete rate design issues, not the complex issues for which they are being used for today. While SEIA does not have a specific proposed schedule, it would request that intervenor testimony not be due prior to February 2017 and that sufficient time be built into the schedule for settlement discussions.

VI. CONCLUSION

The Commission must assure that SCE's TOU periods reflect of *all* of its marginal cost elements that vary with usage and demand. Retail rates recover costs for all of the components of electricity service – generation, transmission, and distribution. The time-varying demand of customers on the transmission and distribution systems drives the need for capacity on the delivery system in the same way that peak demands cause generation capacity costs to be incurred. SCE's proposed TOU periods are deficient in this regard.

Moreover, contrary to Commission policy, SCE's application does not propose any grandfathering of existing TOU periods. The Commission must assure, consistent with its current policy, that existing customers are afforded appropriate protections under sufficient grandfathering periods.

Respectfully submitted this 7th day of October, 2016, at San Francisco, California.

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